

# M e m o r a n d u m

To: Panel Members

Date: June 22, 2007

From: Diana Torres, Manager

Analyst: K. Campion

Subject: One-Step Agreement for **ALLIED MODULAR BUILDING SYSTEMS, INC. < 100**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 62
  - *In California:* 58
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$183,300
- Substantial Contribution: \$0
- Total ETP Funding: \$183,300
- Total In-kind Contribution: \$118,087
  - *Trainee Wages Paid During Training:* \$118,087
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

## **INTRODUCTION:**

Allied Modular Building Systems, Inc. (Allied Modular) manufactures, distributes and installs custom modular buildings, offices, clean rooms, guard houses, smoking shelters, machine enclosures, mezzanine systems and guard rails. This small company of 62 employees is headquartered in Orange, California with one distribution facility in Tennessee.

Allied Modular is eligible for funding under the out-of-state competition provisions in Title 22, California Code of Regulations (CCR), Section 4416(i) for companies classified as manufacturers under the North American Industrial Classification System. The company proposes to retrain 75 full-time workers in the skills necessary to become a high performance workplace.

## **MEETING ETP GOALS AND OBJECTIVES:**

Allied Modular proposes training that will further the following ETP goals and objectives:

- 1) Promote California's manufacturing workforce.
- 2) Foster job retention in industries threatened by out-of-state competition.
- 3) Support companies moving to a high performance workplace environment.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees	MENU: Business Skills, Computer Skills, Continuous Improvement, Manufacturing Skills	75	24 – 200	0	\$2,444	*\$13.51 – \$36.75
<b>Wages After 90-Day Retention</b>						
<b><u>Occupation</u></b>						
Administration & Support Staff						
Production Worker						
Technical Staff						
Supervisors & Managers						
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b>					<b><u>Turnover Rate</u></b>	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b>
*Health benefits of at least \$.91 per hour may be added to the trainee's wages to meet the ETP minimum hourly rate of \$13.51 for Orange County.					7%	7%
<b><u>Other Employee Benefits:</u></b>						
Annual leave, vacation pay, sick leave pay, holiday pay, life insurance, disability insurance.						

**COMMENTS / ISSUES:**

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22, CCR, Section 4400(ee), except for five supervisors and managers, or seven percent of the trainee population.

**COMMENTS / ISSUES:** (continued)

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce goods or provide services which will ultimately be sold.

**RECOMMENDATION:**

Staff recommends that the Panel approve this proposal because it will assist this company's move to a high performance workplace by improving its operational efficiencies. The approval of this project will enable Allied Modular to improve its internal processes, increase its plant capacity, eliminate wasteful activities through Continuous Improvement, reduce inventory on hand, increase customer satisfaction, reduce installation re-work costs, and reduce customer lead time.

**NARRATIVE:**

In the early 1990's Allied Modular recognized the rise in industry trends toward the utilization of pre-fabricated building structures, over brick and mortar construction. Allied Modular launched a new business strategy to position services to include complete turn-key solutions, in a one-stop-shop model. Over the next decade, the company shifted from the manufacturing of single components to fully functional building systems and expanded its services to include design, engineering, building permits, HVAC & electrical systems, windows, doors, communication and fiber-optic chases, fire suppression and sprinkler systems; and on-site building system installation. Allied Modular's 40,000 square foot facility in Orange includes fully equipped assembly, production and inspection areas.

The company's primary market at this time is the manufacturing of "smoking shelters" for the Mid-West United States companies and guard booths for homeland security. Allied Modular projects a 10 to 15 percent increase in demand for these products by the end of 2008. Additionally, the company is poised to step into new modular building products. Since 2003, Allied Modular has been developing new technology in non-aluminum hard metal products and paint treatments for steel building/high-rise construction. Product launch is underway in 2007. The company is expecting a 10 percent increase in steel building/high-rise construction business by the end of 2008, and a 10 to 15 percent increase in demand for customized modular, mobile office systems by 2009. Overall, the company projects a 30 to 40 percent increase in business by 2008/2009. With the expansion into new industries and new production capabilities, the company is prepared to meet customer demands by increasing its California workforce to 78 employees over the next 24 months.

The increased growth in business and projected increase in its workforce have propelled Allied Modular to conduct a company-wide training-needs assessment. Allied Modular's executive team has determined that in order to maintain global competitiveness, high quality manufacturing integrity, and meet increased customer production demands, the company must upgrade the technology and capabilities of its fabrication and assembly lines, industrial controls, and employee skills through training.

**NARRATIVE:** (continued)

Therefore, Allied Modular requests ETP funds to train 70 frontline workers and five managers in a menu curricula consisting of Business Skills, Computer Skills, Continuous Improvement and Manufacturing Skills. Retrainees will receive formal, class/lab training based on their job functions.

***Business Skills***

All trainees will receive training in Customer Service in a Global Market. Production workers will receive additional modules in Marketing with Quality to bring techniques down to the shop floor. Trainees with budget responsibility will receive skills training in Performance Management.

***Computer Skills***

Production Staff will receive Manufacturing Resource Planning (MRP) software skills designed to increase operating efficiencies and reduce production lead time. Key employees across all departments will receive extensive training in MRP software upgrades to expedite the bidding, costing, inventory and materials management, and job tracking capabilities. Administration, Support Staff and Technical Staff will receive training in varying areas of Customer Relationship Management (CRM) software upgrades. All employees will receive training in various modules of advanced Microsoft applications to integrate current reporting systems into new CRM & MRP software upgrades.

***Continuous Improvement***

All trainees are projected to receive one or more modules of Continuous Improvement training. Production workers will receive various modules of Frontline Decision Making & Problem Solving Skills and Leadership for Frontline Workers. Managers will receive training in Six Sigma. Specialty groups from all departments will receive training in Statistical Process Control (SPC).

***Manufacturing Skills***

Customer demands for new services will drive training in Production Skills and Equipment Operation/Assembly Skills. All production workers are projected to receive training in Lean Manufacturing. The expected result of Manufacturing Skills training is increased capabilities, larger market share, cost savings, cycle time reduction and new product development and industry growth.

***Commitment to Training***

Allied Modular representatives state that the ETP funding under this proposal will not displace any of its resources for training. The company does not have a formal training budget. Typical training consists of new hire orientation, safety training, basic on-the-job training, and informal, just-in-time or ad hoc training. Allied Modular representatives report that the ETP funds are

**NARRATIVE:** (continued)

projected for a company-wide, structured training effort, not previously provided. ETP training will be formalized and closely scrutinized towards achieving objectives and will enable the company to provide formal training to all employees instead of a select few in various departments, as done in the past. The company projects that the proposed training will ultimately create a more efficient and effective workplace and will enable Allied Modular to create a cultural change to a team-driven, continuous improvement-driven organization, supported by advanced employee skills. After the ETP-funded training ends, Allied Modular representatives state that they are committed to the continued development of all employees through continuous job skills training.

**SUBCONTRACTORS:**

Sallyanne Monti, a Consultant located in San Francisco, will provide project administration for an amount not to exceed 13 percent of earned funds.

**THIRD PARTY SERVICES:**

Sallyanne Monti assisted with the development of the training plan and completion of the application documents for a flat fee of \$6,000.

**Allied Modular Building Systems, Inc.**

MENU CURRICULUM

**Class/Lab**  
**Hours**  
**24 – 200**

*Trainees will receive any of the following:*

**BUSINESS SKILLS**

- Customer Service Skills in a Global Market
- Marketing with Quality Techniques
- Product Development Skills
- Performance Management Skills

**COMPUTER SKILLS**

- Computer Software Skills
  - Computer-Aided Design (CAD)
  - Advanced Microsoft Applications
- Customer Relationship Management (CRM) Skills
- Manufacturing Resource Planning (MRP) Skills

**CONTINUOUS IMPROVEMENT**

- Process Improvement Techniques
- Frontline Decision Making and Problem Solving Skills
- High Performance Work Teams Techniques
- Leadership Skills for Frontline Workers
- Six Sigma Techniques
- Statistical Process Control (SPC) Techniques

**MANUFACTURING SKILLS**

- Equipment Operation/Assembly Skills & Techniques
- Lean Manufacturing Techniques
- Advanced Technical Production Skills